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something not applicable to the belligerent countries—the most valuable markets anywhere to be found—but restricted to the so-called undeveloped and backward countries of the world. According to his plan equal admission and other trading facilities are to be accorded by all the Powers to foreign traders in all dependencies, colonies, protectorates, and spheres of influence.

But the most amazing portion of his program is the establishment of international commissions “to secure equality of treatment for the commerce, investments, and other property interests of the subjects of the treaty Powers in all backward or undeveloped countries not under the political control of any Power.” In these days when we are assured that the rights of small nations must be respected and the world is to be made safe for democracy, it is, indeed, anomalous to have it seriously proposed to deny to independent, though apparently at the moment backward, countries the right to make advantageous reciprocity treaties, a denial which is to be enforced by a league of strong, advanced nations against weak ones for the avowed purpose, forsooth, of depriving the powerful ones of the incentive to start wars. Strong nations are to be allowed the privilege of making special arrangements deemed advantageous, but weak economic ones are to be denied that privilege—which is a denial of justice, the pretended object of the program.

The author, undaunted by the failure of Cobden’s predictions to come true, presents with confidence unshaken this newer free trade (which he sees as the nucleus of a larger constructive internationalism) as the only possible security against future wars. Promises alone are presented at a time when experience has taught us afresh that no nation can maintain either independence or freedom when dependent upon the power of another.

The book gives many evidences of being a series of newspaper articles written at different times and with different purposes in view. It lacks coördination, containing many statements difficult, if not impossible, to harmonize. The program it presents expresses socialistic thought; but before it can be adopted, love of country must be swallowed up by admiration for internationalism.

JOHN BRUCE MCPHERSON.

*The System of Financial Administration of Great Britain.* A report by WILLIAM F. WILLOUGHBY, WESTEL W. WILLOUGHBY, and SAMUEL McCUNE LINDSAY. Introduction by

A. LAWRENCE LOWELL. Prepared under the direction of FREDERICK A. CLEVELAND. (New York: D. Appleton and Company for the Institute for Government Research. 1917. Pp. xv, 361. \$2.75.)

This volume has three authors, an Introduction by President Lowell of Harvard, was prepared under the direction of Dr. Frederick A. Cleveland, as editor, is published "under the auspices of the Institute for Government Research," whose chairman, President Goodnow of Johns Hopkins, writes a Foreword, and the investigation was financed by an appropriation from the Rockefeller Foundation. The Institute for Government Research was incorporated in 1916 and the foreword tells us it is "an institution of citizens for coöperating with public officials in the scientific study of business methods with a view to promoting efficiency in government and advancing the science of administration." Thus we have, supporting the book, three well-known and able investigators as authors, an editor, also well-known, especially for his interest in this field, two university presidents, an "institute," and a "foundation." Surely this is an imposing panoply. The reasons for all this array of authority seem to be two: first, the book inaugurates a series of publications which the Institute expects to present; second, it has a mission, namely to educate the American people to the advantages of a budget system in public finance.

We are told by the editor that the original plans of those interested in the establishment of the Institute were to make similar studies of many European countries, but these plans were interrupted by the war. Thus the volume deals only with Great Britain.

President Lowell, in his introduction, summarizes what is in the book in the following words:

After discussing the general principles that must underly sound public finance everywhere, the writers follow the course of financial action in England from the preparation of the estimates in the different departments, through their consolidation into the measure presented to Parliament, the procedure of the House of Commons thereon, the subsequent orders drawn on the Bank of England, the expenditure of the money, and the accounting therefor, showing the significance of each step in the process and its bearing upon what goes before and what follows.

In short, it deals with the administrative side of budget making.

Bearing in mind the brilliant speeches with which some of England's greatest statesmen have illuminated the Budget, and the

fascinating essays and reviews about budgets of various years, such as those by Northcote, Buxton, and Mallet, one has a right to expect, on opening the book, to find some interesting reading. In that expectation one is at once disappointed, for the book is formal and dry in the extreme. The reason for this dullness seems to be that the authors have chosen to avoid any reference to the substance of any budget, or to any of the political, social, or economic features involved; but have confined their attention to mere forms and methods, the machinery and technique of budget making. In short they have described minutely the shell of the nut in all its convolutions, but have entirely ignored the kernel. The choice of these limits has resulted in creating certain impressions which seem to me false and misleading and to which I shall refer below. President Lowell obviously felt this defect, for he tries to defend the authors against this very criticism by saying: "The casual reader may be surprised at the small amount of space devoted to the discussion of the appropriations in Parliament, but this is right, because, in fact, those debates relate to the political and not the financial aspects of the matter." The trouble is, however, that the two things are not separable, especially as is shown in the Conclusion, where the engrafting of the British methods on American political life is distinctly advocated.

It must not, however, be inferred that merely because the book is dry as dust it is not, also, to use a phrase common with reviewers, "an indispensable work of reference." It brings together, in handy compendium form, a large amount of data not readily accessible elsewhere, useful alike to the student of government and of finance. Together with Higgs's *The Financial System of the United Kingdom* it makes as complete an account of the subject as the ordinary library requires. The materials are well arranged and easy to find, and the standing of the authors is a guarantee of accuracy. After two preliminary chapters there are four chapters on the "estimates," the most copyable part of the British system. One of these is on their preparation and submission to Parliament, another is on their character and form, another on the appropriations in aid, and the fourth is on the modes of Parliamentary action. Then follow chapters on: The Disbursement of Public Funds, The Treasury Control over Expenditures, Office of Works and Public Buildings, Stationery Office, The Audit of Public Accounts, and the System of Financial Reports. Finally we reach the authors' goal in the chapter on the Budget.

As the book has a mission, namely to bring about the adoption of better budgetary methods in the United States, we are particularly interested in what the three authors conceive to be the nature and purposes of a budget. Strangely enough they disclaim any intent to define restrictively the term budget, "for," they say, "it is one which is used with many different meanings" (p. 255). Yet they virtually offer three definitions:

(1) "A budget is a definite plan or proposal for financing the business of a future period both with respect to revenues and expenditures" (p. 8).

(2) "The idea underlying the conception of a budgetary, as opposed to a non-budgetary, system is that in the former the effort is made, by those responsible for initiating financial measures, to consider both sides of the national account at one and the same time, or at least in their relation to each other, and to place them before the legislative branch where appropriations are requested, while in the latter, no such attempt is made" (pp. 255-256).

(3) "In England, it is the financial statement explaining the proposals made by the Chancellor of the Exchequer" (p. 256). Or, of course, by metonymy the term may be applied to the Chancellor's speech itself.

In the Conclusion there are recapitulated ten different features, called for the most part principles, of the English system which are recommended for introduction or adoption in the United States. In this set of principles, as in the above definitions, we find the authors intent again upon the form and not upon the content, concerned with the shell regardless of the meat.

Contrast their definitions, for example, with that of Stourm: "Le budget de l'état est un acte contenant l'approbation préalable des recettes et des dépenses publiques" (*Le Budget*, p. 4). Or with Bastable: "There is therefor a combination of the ideas of (1) a valuation of receipts and expenditure or a public balance-sheet, and (2) a legislative act establishing and authorising certain kinds and amounts of expenditure and taxation." Or Leroy Beaulieu's simple phrase "un état de prévoyance." We have to go back to the origin of the budget to get its fundamental characteristic. Leroy Beaulieu says: "L'origine de ces budgets ou états de prévoyance, c'est le droit qu'a la nation de refuser ou d'accorder des impôts: tout le système parlementaire a pour principe garantie cette faculté qui est aujourd'hui universellement reconnue aux contribuables."

The substance of a budgetary system—of what makes the British system of fiscal control so superior to ours—is nothing so purely formal as our three authors would have us believe. It rests on the existence of a ministry in control of all administration sprung from and responsible to the legislative body, a ministry that, to retain its leadership in Parliament, must justify its policies. Allot the executive and legislative functions to different persons as we do and you cannot have a budget system that amounts to more than a method of bookkeeping. Of what vital import is the formulation or explanation of a “financial program” unless he who formulates it possess also the power to carry it out? The Chancellor of the Exchequer may “open his budget” with clearness and eloquence, the estimates may have been made with the usual skill, but it is for naught until Parliament approve. The essential thing is that when he presents it he is voicing the intentions and policies of his party, of the party in power in Parliament, with votes enough, as Bastable says, to make it law. He explains the program not that “the Parliament and the people shall all have clearly before them the full purport of the problem” (p. 271 and p. 274) but because his leadership, and that of the entire ministry, in matters fiscal as in all others, can be maintained only by the continued support of a majority in Parliament. There is a real meaning, not mere clumsy custom or tradition, in the fact that in the British Parliament the two committees, the Committee on Supply and the Committee on Ways and Means, are both the House sitting in Committee of the Whole. Since the war, with leadership resting on things bigger than pounds, shillings and pence, votes of credit, without estimates, or with dummy estimates, so as to conserve the forms and conventions, and without any too strict accounting for the money spent, have largely taken the place of formal budgets, and even the “opposition” waived its rights to discussion of the budget.

In many of our American commonwealths some officer or board submits to each session of the legislature a formal list of estimated receipts and expenditures, which is occasionally a carefully prepared document. Usually the labor, the paper and ink, of such a budget are a total loss, for the legislature is not led by that officer. He derives his powers directly or indirectly from the same source as does the legislature, but not through the legislature. In rare cases some political upheaval will carry into office a governor sufficiently strong personally or politically to

be a leader of the people and to control a majority in the legislature, and in those rare instances if he have a fiscal program at all, something like a budget system may emerge for a short time. Our system may appear haphazard, but it is the haphazardness of true democracy, of the people handling their own affairs directly without "grants" to a Crown, or to ministers responsible to a Parliament. So long as we have the principle of complete separation of the law-making from the executive powers, the reservation of essential powers to the people themselves, and limited fixed terms of holding office, so long will it be impossible to get the technical advantages of a budget system based on the other political organization. As Professor Daniels says in his *Public Finance* (p. 365):

The clearcut policy which naturally results when the heads of departments, as in England, are themselves the parliamentary framers of the laws they afterwards execute cannot be secured under our system of government. Each plan of government has its drawbacks as well as its advantages. But it is futile to suppose that either will eventually prevail in both countries.

Democracy may sacrifice some degree of "efficiency" for the retention of something more worth while, namely liberty.

Incidental to this criticism is another, equally the outcome of the excessive concentration of attention on forms and methods, and that relates to the assumption running throughout the Conclusion (pp. 269 ff.) that a budgetary system is something quite apart and separable from the general political policies of the government. Quite the contrary; every item in the budget, if not the very existence of the budget itself, has its origin in political policy. The winning of the control of the purse by the Commons changed the constitution of England and brought the budget into existence. A budget recommendation made England a free-trade country, another in 1910 opened the way to the undermining of the old aristocracy through the new land taxes and resulted in constitutional changes. Social reform, old age pensions and so on involve new spending and new taxes. These are all things far bigger than forms, or "estimates." It is true, as President Lowell says, that "the executive cannot conduct the public finances properly unless it has developed within itself the appropriate machinery as a safeguard against extravagance and wastefulness." But appropriate machinery is dependent on the functions to be performed. A gas engine is always a gas engine, but one for an automobile is not appropriate for a boat.

Leroy Beaulieu remarks (*Traité de la Science des Finances*, Vol. II, p. 19):

The study of the budget raises the most interesting and the most delicate questions: questions political, such as the respective rights of each of the two chambers and of the executive power in the conduct of the finances; questions administrative, such as the best method of providing properly for the needs of the different services with the least infringement on the predetermined limits of the budget; and lastly, questions, purely financial, such as the means of preventing the waste and squandering of the public moneys.

But no one of these many sides can be taken by itself to be a safe approach to the complex matters involved in budget making.

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#### NEW BOOKS

ASCOLI, F. D. *Early revenue history of Bengal, and the fifth report, 1812.* (Oxford: Clarendon Press. 1917. Pp. 272. 4s. 6d.)

BRISSET, C. E. *L'impôt sur le revenu pour 1917-1918.* (Paris: Garnier. 1917. 1 fr.)

COLLINS, C. W. *The national budget system and American finance.* (New York: Macmillan. 1917. Pp. vi, 151. \$1.25.)

FARNET, G. *Les relations douanières entre la France et la Principauté de Monaco.* (Paris: Giard & Brière. 1917. 7 fr.)

FAVARGER, P. *La taxe sur la plus-value foncière. Etude du projet proposé par le conseil communal de Neufchâtel.* (Neufchâtel: Worlfrath & Sperli. 1917.)

FIELDHOUSE, A. and E. E. *Income tax simplified.* (London: Simpkin, Marshall & Co. 1917. 1s.)

FILLEBROWN, C. B. *The principles of natural taxation.* (Chicago: McClurg. 1917. Pp. xx, 281. \$1.50.)

The author of this book differs from most single taxers in important particulars. One peculiarity is a belief that professional economists are not necessarily intellectually dishonest and morally perverse, a conviction which is made plain in a graceful dedication of his book to the "Professors of Political Economy." Another peculiarity is an unbounded enthusiasm for Thomas G. Shearman and his *Natural Taxation*, in which he has perhaps stood too much alone in the past. His admiration finds its effect both in the title of his book and in the prominent place accorded the work of Shearman in the body of the volume.

Mr. Fillebrown's general position is already familiar to the readers of the REVIEW through the numerous pamphlets which have appeared during the course of his career as a propagandist and harmonist. The book is essentially a revision and enlargement of *A*